

Property Tax Payments, 2002-2003

- Franklin County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Franklin County from \$2.8 Million in 2002 to \$5.3 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Franklin County, state tax credits

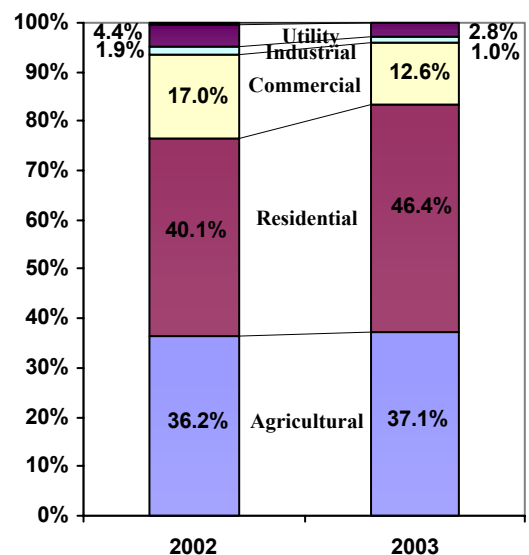
Table 1. Changes in AV and Tax Bills by Property Class for Franklin County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	91.1%	77.2%	-3.0%
Residential (All)	120.3%	95.5%	9.4%
Homestead Only	114.6%	78.1%	-1.5%
Commercial	16.7%	14.1%	-30.2%
Industrial	-14.2%	-14.2%	-47.8%
Utility	-4.6%	-4.6%	-39.1%
Avg. All Classes	88.1%	70.0%	-5.1%

increased from \$2.8 million to \$5.3 million, an increase of \$2.5 million. This paper provides a brief summary of how these factors changed property tax liabilities in Franklin County.

Tax Shifts. Franklin County saw a property tax shift from businesses to residential property owners. Tax bills paid by residential property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased substantially (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] Agricultural taxes fell by a small amount. The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of agricultural property nearly doubled while residential property more than doubled. Commercial assessments rose much less, and industrial and utility

Figure 1. Share of Net Property Tax Billings in Franklin County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

assessments actually declined. These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Franklin County saw their tax bills decrease while the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Franklin County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more than two-thirds of homestead owners saw decreases rather than increases.

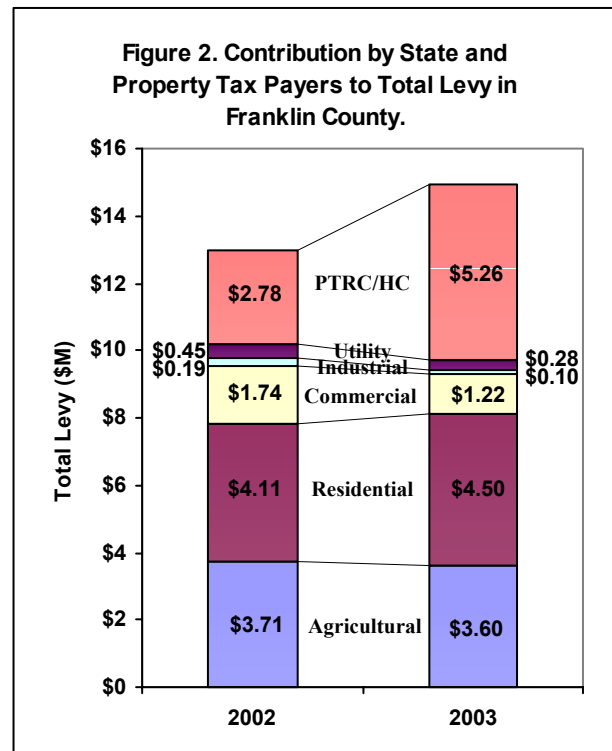
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Franklin County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	60.9%	30.7%	52.4%	20.5%
Decreased	39.1%	69.3%	47.6%	79.5%
Increased 100% or More	13.3%	4.2%	11.0%	3.2%
Decreased 25% or More	14.6%	23.9%	26.0%	46.4%
Average Change (\$)	\$17	-\$77	-\$46	-\$165
Average Change (%)	3.5%	-10.1%	-9.4%	-21.6%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about half of all residential property owners would have seen tax increases, and half would have seen tax decreases. For homesteads, more than three-fourths would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of substantially more homeowners than they increased.

Agriculture. Taxes on agricultural property in Franklin County fell slightly. Overall, agricultural business taxes rose while agricultural homestead taxes fell. The net assessed value on non-homestead agricultural real property doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Franklin County because assessed values for commercial property rose much less than residential and agricultural



assessments, and industrial and utility assessments fell. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Franklin County reduced tax rates, and this cut tax bills more for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Franklin County by PTRC and state homestead credit payments increased by approximately 89%, from \$2.8 million to \$5.3 million.

Table 3 shows estimates of how Franklin County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases for residential property and eliminated the increases for agricultural property. Franklin County residential property taxes, on average, still increased. However, residential homestead taxes fell because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Franklin County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	20.5%	-3.0%	-23.5%
Residential (All)	51.4%	9.4%	-42.0%
Homestead Only	56.3%	-1.5%	-57.8%
Commercial	-24.6%	-30.2%	-5.6%
Industrial	-43.2%	-47.8%	-4.6%
Utility	-44.1%	-39.1%	5.0%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Franklin County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	498,641,654	202,449,775	249,131,285	188,057,901	41,565,438	4,869,959	311,927
Real Deductions	49,845,559	15,505,600	33,973,140	33,973,140	358,314	4,271	0
Real Net Assessed Value	448,796,095	186,944,175	215,158,145	154,084,761	41,207,124	4,865,688	311,927
Personal Gross Assd. Value	79,314,891	11,238,501	2,793,649	0	39,837,983	3,309,458	22,135,300
Personal Deductions	18,555	0	18,555	0	0	0	0
Personal Net Assd. Value	79,296,336	11,238,501	2,775,094	0	39,837,983	3,309,458	22,135,300
Total Gross Assessed Value	577,956,545	213,688,276	251,924,934	188,057,901	81,403,420	8,179,417	22,447,227
Total Deductions	49,864,114	15,505,600	33,991,695	33,973,140	358,314	4,271	0
Total Net Assessed Value	528,092,431	198,182,676	217,933,239	154,084,761	81,045,106	8,175,146	22,447,227
Gross Levy	12,971,246	4,635,653	5,413,160	3,835,299	2,130,299	237,185	547,712
PTRC (Calculated)	2,242,226	772,047	941,400	665,831	385,761	45,828	95,925
State/County Homestead Cr. (Calculated)	516,548	154,911	361,637	361,637	0	0	0
Net Levy	10,212,472	3,708,695	4,110,123	2,807,831	1,744,538	191,357	451,787
Pay 2003							
Real Gross Assessed Value	1,010,792,200	395,220,392	549,433,351	403,551,507	61,001,156	4,402,080	735,220
Real Deductions	187,198,100	57,234,351	129,109,938	129,109,938	853,811	0	0
Real Net Assessed Value	823,594,100	337,986,041	420,323,413	274,441,569	60,147,345	4,402,080	735,220
Personal Gross Assd. Value	76,098,392	13,097,996	5,675,407	0	34,034,863	2,616,092	20,674,034
Personal Deductions	1,750,120	0	0	0	1,750,120	0	0
Personal Net Assd. Value	74,348,272	13,097,996	5,675,407	0	32,284,743	2,616,092	20,674,034
Total Gross Assessed Value	1,086,890,592	408,318,388	555,108,758	403,551,507	95,036,020	7,018,172	21,409,254
Total Deductions	188,948,220	57,234,351	129,109,938	129,109,938	2,603,931	0	0
Total Net Assessed Value	897,942,372	351,084,037	425,998,820	274,441,569	92,432,089	7,018,172	21,409,254
Gross Levy	14,952,606	5,530,581	7,255,762	4,699,842	1,681,262	134,369	350,633
PTRC (Calculated)	4,689,471	1,774,366	2,342,332	1,517,046	462,914	34,442	75,417
State/County Homestead Cr. (Calculated)	575,053	158,558	416,495	416,495	0	0	0
Net Levy	9,688,083	3,597,657	4,496,935	2,766,301	1,218,348	99,927	275,216
COMPARISONS							
Net Levy Percent Change	-5.1%	-3.0%	9.4%	-1.5%	-30.2%	-47.8%	-39.1%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	102.7%	95.2%	120.5%	114.6%	46.8%	-9.6%	135.7%
Gross Personal AV	-4.1%	16.5%	103.2%	0.0%	-14.6%	-21.0%	-6.6%
Total Gross Assessed Value	88.1%	91.1%	120.3%	114.6%	16.7%	-14.2%	-4.6%
Net Assessed Value	70.0%	77.2%	95.5%	78.1%	14.1%	-14.2%	-4.6%
Gross Levy	15.3%	19.3%	34.0%	22.5%	-21.1%	-43.3%	-36.0%
Net Levy	-5.1%	-3.0%	9.4%	-1.5%	-30.2%	-47.8%	-39.1%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	2,245,897	4,703,728	2,457,831	109.4%			
State Homestead Cr. (Abstract)	537,045	560,254	23,209	4.3%			
Total State Credits (Abstract)	2,782,942	5,263,983	2,481,041	89.2%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Franklin County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	3,708,695	3,597,657	-111,038	-3.0%	36.2%	37.1%	0.9%
Residential	4,110,123	4,496,935	386,812	9.4%	40.1%	46.4%	6.2%
Commercial	1,744,538	1,218,348	-526,190	-30.2%	17.0%	12.6%	-4.5%
Industrial	191,357	99,927	-91,430	-47.8%	1.9%	1.0%	-0.8%
Utility	451,787	275,216	-176,571	-39.1%	4.4%	2.8%	-1.6%
Exempt	27,581	12,463	-15,118	-54.8%	0.3%	0.1%	-0.1%
Undefined	5,973	0	-5,973	-100.0%	0.1%	0.0%	-0.1%
Total	10,240,054	9,700,546	-539,508	-5.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,479,300	3,435,342	-43,958	-1.3%	34.0%	35.4%	1.4%
Residential	4,054,800	4,436,651	381,851	9.4%	39.6%	45.7%	6.1%
Commercial	902,992	746,161	-156,831	-17.4%	8.8%	7.7%	-1.1%
Industrial	109,057	55,388	-53,669	-49.2%	1.1%	0.6%	-0.5%
Utility	6,689	8,230	1,541	23.0%	0.1%	0.1%	0.0%
Exempt	27,581	12,463	-15,118	-54.8%	0.3%	0.1%	-0.1%
Undefined	5,973	0	-5,973	-100.0%	0.1%	0.0%	-0.1%
Total	8,586,392	8,694,235	107,843	1.3%	83.9%	89.6%	5.8%
Agricultural Homesteads	1,896,792	1,705,254	-191,538	-10.1%	18.5%	17.6%	-0.9%
Residential Homesteads	2,807,831	2,766,301	-41,530	-1.5%	27.4%	28.5%	1.1%
Total Homesteads	4,704,623	4,471,555	-233,068	-5.0%	45.9%	46.1%	0.2%
Non-Homestead Residential	1,246,970	1,670,350	423,380	34.0%	12.2%	17.2%	5.0%
Apartments (Over 4 Units)	65,326	112,585	47,259	72.3%	0.6%	1.2%	0.5%
<u>Personal Property Only</u>							
Agricultural	229,395	162,316	-67,079	-29.2%	2.2%	1.7%	-0.6%
Residential	55,322	60,284	4,962	9.0%	0.5%	0.6%	0.1%
Commercial	841,546	472,187	-369,359	-43.9%	8.2%	4.9%	-3.4%
Industrial	82,300	44,539	-37,761	-45.9%	0.8%	0.5%	-0.3%
Utility	445,098	266,986	-178,112	-40.0%	4.3%	2.8%	-1.6%
Total	1,653,661	1,006,312	-647,349	-39.1%	16.1%	10.4%	-5.8%
Total Depreciables	1,096,684	613,313	-483,371	-44.1%	10.7%	6.3%	-4.4%
Total Inventory	501,655	332,714	-168,941	-33.7%	4.9%	3.4%	-1.5%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,582,508	1,730,087	147,579	9.3%	15.5%	17.8%	2.4%
Ag Personal	229,395	162,316	-67,079	-29.2%	2.2%	1.7%	-0.6%
Total Ag Business	1,811,903	1,892,403	80,500	4.4%	17.7%	19.5%	1.8%
Ag Homesteads	1,896,792	1,705,254	-191,538	-10.1%	18.5%	17.6%	-0.9%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Franklin County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	198,182,676	351,084,037	152,901,361	77.2%	37.4%	39.0%	1.6%
Residential	217,933,239	425,998,820	208,065,581	95.5%	41.2%	47.4%	6.2%
Commercial	81,045,106	92,432,089	11,386,983	14.1%	15.3%	10.3%	-5.0%
Industrial	8,175,146	7,018,172	-1,156,974	-14.2%	1.5%	0.8%	-0.8%
Utility	22,447,227	21,409,254	-1,037,973	-4.6%	4.2%	2.4%	-1.9%
Exempt	1,265,400	1,147,250	-118,150	-9.3%	0.2%	0.1%	-0.1%
Undefined	309,036	0	-309,036	-100.0%	0.1%	0.0%	-0.1%
Total	529,357,830	899,089,622	369,731,792	69.8%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	186,944,175	337,986,041	151,041,866	80.8%	35.3%	37.6%	2.3%
Residential	215,158,145	420,323,413	205,165,268	95.4%	40.6%	46.7%	6.1%
Commercial	41,207,124	60,147,345	18,940,221	46.0%	7.8%	6.7%	-1.1%
Industrial	4,865,688	4,402,080	-463,608	-9.5%	0.9%	0.5%	-0.4%
Utility	311,927	735,220	423,293	135.7%	0.1%	0.1%	0.0%
Exempt	1,265,400	1,147,250	-118,150	-9.3%	0.2%	0.1%	-0.1%
Undefined	309,036	0	-309,036	-100.0%	0.1%	0.0%	-0.1%
Total	450,061,495	824,741,349	374,679,854	83.3%	85.0%	91.7%	6.7%
Agricultural Homesteads	106,064,367	175,944,480	69,880,113	65.9%	20.0%	19.6%	-0.5%
Residential Homesteads	154,084,761	274,441,569	120,356,808	78.1%	29.1%	30.5%	1.4%
Total Homesteads	260,149,128	450,386,049	190,236,921	73.1%	49.1%	50.1%	0.9%
Non-Homestead Residential	61,073,385	145,881,845	84,808,460	138.9%	11.5%	16.2%	4.7%
Apartments (Over 4 Units)	2,730,262	8,168,570	5,438,308	199.2%	0.5%	0.9%	0.4%
<u>Personal Property Only</u>							
Agricultural	11,238,501	13,097,996	1,859,495	16.5%	2.1%	1.5%	-0.7%
Residential	2,775,094	5,675,407	2,900,313	104.5%	0.5%	0.6%	0.1%
Commercial	39,837,983	32,284,743	-7,553,240	-19.0%	7.5%	3.6%	-3.9%
Industrial	3,309,458	2,616,092	-693,366	-21.0%	0.6%	0.3%	-0.3%
Utility	22,135,300	20,674,034	-1,461,266	-6.6%	4.2%	2.3%	-1.9%
Total	79,296,336	74,348,272	-4,948,064	-6.2%	15.0%	8.3%	-6.7%
Total Depreciables	52,541,365	44,901,163	-7,640,202	-14.5%	9.9%	5.0%	-4.9%
Total Inventory	23,979,877	23,771,702	-208,175	-0.9%	4.5%	2.6%	-1.9%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	80,879,808	162,041,561	81,161,753	100.3%	15.3%	18.0%	2.7%
Ag Personal	11,238,501	13,097,996	1,859,495	16.5%	2.1%	1.5%	-0.7%
Total Ag Business	92,118,309	175,139,557	83,021,248	90.1%	17.4%	19.5%	2.1%
Ag Homesteads	106,064,367	175,944,480	69,880,113	65.9%	20.0%	19.6%	-0.5%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Franklin County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2002 to 2003	Change in Net AV 2002 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	141%	111%	18%	4%
Comparable Residential Real Prop.	113%	84%	4%	-9%
Comparable Homesteads	107%	63%	-10%	-22%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	227	3.1%	44	1.3%	188	2.5%	33	1.0%
200%	to 300%	196	2.6%	21	0.6%	140	1.9%	24	0.7%
100%	to 200%	562	7.6%	78	2.3%	487	6.6%	53	1.5%
50%	to 100%	1,094	14.7%	138	4.0%	967	13.0%	99	2.9%
25%	to 50%	890	12.0%	185	5.4%	739	9.9%	134	3.9%
10%	to 25%	674	9.1%	256	7.5%	555	7.5%	131	3.8%
5%	to 10%	241	3.2%	119	3.5%	188	2.5%	81	2.4%
0	to 5%	647	8.7%	211	6.1%	628	8.4%	147	4.3%
0	to -5%	289	3.9%	213	6.2%	261	3.5%	111	3.2%
-5%	to -10%	317	4.3%	264	7.7%	266	3.6%	162	4.7%
-10%	to -25%	1,209	16.3%	1,084	31.6%	1,088	14.6%	863	25.1%
-25%	to -50%	901	12.1%	734	21.4%	1,618	21.8%	1,438	41.9%
Below	-50%	187	2.5%	85	2.5%	309	4.2%	156	4.5%
		7,434	100.0%	3,432	100.0%	7,434	100.0%	3,432	100.0%
Parcels With Increases		4,531	60.9%	1,052	30.7%	3,892	52.4%	702	20.5%
Parcels With Reductions		2,903	39.1%	2,380	69.3%	3,542	47.6%	2,730	79.5%
Average \$ Change			\$17		-\$77		-\$46		-\$165
Average % Change			3.5%		-10.1%		-9.4%		-21.6%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor
Prepared by Legislative Services Agency, June 2005.